

## Message Text

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USDOC FOR BEWT

E.O. 11652: N/A

TAGS: EQEWT, ENRG, UR

SUBJECT: U.S. FIRM RUCKER WINS SOVIET APPROVAL TO SUPPLY

OFFSHORE OIL DRILLING EQUIPMENT

REF: (A) 75 MOSCOW 2295, (B) MOSCOW 5842

1. KENNETH MAIN, SENIOR VICE PRESIDENT FOR RUCKER COMPANY (OAKLAND CALIFORNIA), INFORMED COMATT AUGUST 19 THAT RUCKER HAD JUST WON SOVIET APPROVAL TO PROVIDE UNDERSEA OIL DRILLING EQUIPMENT VALUED AT DOLLARS THREE MILLION FOR INSTALLATION ON DOLLARS 40 MILLION ARMCO FLOATING OFFSHORE RIG WHICH WILL BE CONSTRUCTED IN FINLAND UNDER CONTRACT SIGNED LAST MONTH IN MOSCOW. ACCORDING TO MAIN, RUCKER WON OUT OVER SEVERAL COMPETITORS ONE OF WHOM ENJOYED ARMCO BACKING, FOR RIGHT TO EQUIP RIG WITH UNDERWATER DRILLING GEAR, BLOW-BACK PREVENTERS, ETC., DESPITE FACT THAT FIRM'S PRICE WAS NEARLY \$250,000 ABOVE THAT OF NEAREST BIDDER. AS RUCKER WILL BE SUBCONTRACTOR TO ARMCO, VALUE OF ARMCO'S CONTRACT WITH SOVIETS WILL BE INCREASED TO COVER THIS AMOUNT. MAIN ATTRIBUTED SUCCESS TO FACT THAT SOVIETS -- WHOSE OWN DRILLING TECHNOLOGY, AT LEAST AT RESEARCH PROTOTYPE LEVEL, HE CONSIDERED AMONG BEST IN WORLD -- WANT

RELIABLE AND HIGH PERFORMANCE ON ARMCO RIG, WHICH IS TO BE COMPLETED AND FLOATED DOWN TO CASPIAN FROM FINALDN ALONG INALND WATERWAY.

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2. MAIN SAID THAT HE HAD BEEN TOLD AT MINISTRY OF PETROLEUM INDUSTRY THAT TOTAL OF SEVEN RIGS, INCLUDING TWO DRILLING SHIPS AND ARMCO RIG, HAD BEEN APPROVED FOR CONSTRUCTION OR PURCHASE ABROAD FOR EVENTUAL USE IN BOTH EXPLORATORY AND POSSIBLY PRODUCTION PHASES OF OFFSHORE OIL EXTRACTION, EACH AT A PRICE TAG OF BETWEEN DOLLARS 40 MILLION AND 45 MILLION. RUCKER HOPES THAT SUCCESSFUL INSTALLATION ON ARMCO RIG WILL RESULT IN ITS EQUIPMENT BEING SELECTED FOR REMAINING

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SIX UNITS FOR FUTURE RUCKER SALES TOTALING AROUND DOLLARS 18 MILLION. MAIN ESTIMATED THAT OF TOTAL COST TO SOVIETS FOR EACH RIG, DOLLARS 20 - 25 MILLION OF EQUIPMENT CONTRACTS WOULD ACCRUE TO U.S. SUPPLIERS, INCLUDING RUCKER, FOR OVERALL U.S. SALES OF AROUND DOLLARS 140 - 150 MILLION OVER TWO-TO-THREE YEAR PERIOD.

3. MAIN UNDERSTOOD FROM HIS SOVIET CONTACT THAT TWO OF THE NEW UNITS (PROBABLY THE TWO DRILLING SHIPS WITH SPECIALLY REINFORCED HULLS) WOULD BE UTILIZED FOR OFFSHORE DRILLING IN ARTIC REGIONS, BUT NEXT RIG WOULD BE DESTINED FOR EXPLORATION OFF SAKHALIN.

4. COMMENT: SOVIETS APPEAR TO BE INCREASINGLY INCLINED TO PURCHASE AMERICAN OIL DRILLING EQUIPMENT DUE TO PREEMINENT QUALITY OF AMERICAN PRODUCTS. WE UNDERSTAND TOO, THAT BECAUSE OF ITS HARD-CURRENCY EARNINGS FROM SALES OF CRUDE OIL AND PETROLEUM PRODUCTS IN WEST, USSR MINISTRY OF PETROLEUM INDUSTRY IS USUALLY ABLE TO BRUSH ASIDE ANY PRICE CONSIDERATIONS RAISED BY MINISTRY OF FOREIGN TRADE AND ITS FOREIGN TRADE ORGANIZATIONS AND CHOOSE EQUIPMENT THEY CONSIDER BEST.

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## Message Attributes

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